Michigan Deptartment of Treasury

Auditing Procedures Report Issued under P.A. 2 of 1968, as amended. Local Government Type Local Government Name County City ✓ Township □Village Other **BIRCH RUN TOWNSHIP** SAGINAW Audit Date Opinion Date Date Accountant Report Submitted to State: 3/31/05 7/8/05 8/22/05 We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury. We affirm that: 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised. 2. We are certified public accountants registered to practice in Michigan. We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations You must check the applicable box for each item below. 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. Yes **√** No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). ✓ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as Yes amended). 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its ✓ No Yes requirements, or an order issued under the Emergency Municipal Loan Act. ✓ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, Yes as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). ✓ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. Yes The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned ✓ No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding Yes credits are more than the normal cost requirement, no contributions are due (paid during the year). V No Yes 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). V No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). To Re Not We have enclosed the following: Enclosed Forwarded Required The letter of comments and recommendations. Reports on individual federal financial assistance programs (program audits). Single Audit Reports (ASLGU). Certified Public Accountant (Firm Name) **BERTHIAUME & COMPANY CPAS** Street Address City State ZIP **60 HARROW LANE** SAGINAW MI 48638 Accountant Signature nneet a. Betthraund Date

BIRCH RUN TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Township Board Birch Run Township Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birch Run Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 16, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

July 8, 2005

Benhiaum & Co



STATEMENT OF NET ASSETS

March 31, 2005

	Governmental <u>Activities</u>	Business-type Activities	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,074,963	\$ 864,444	\$ 1,939,407
Receivables	138,408	782,727	921,135
Internal balances	(48,612)	48,612	-
Prepaid items and other assets	13,383	340,573	353,956
Capital assets:			
Nondepreciable capital assets	54,000	-	54,000
Depreciable capital assets, net	1,439,067	3,337,274	4,776,341
Total assets	2,671,209	5,373,630	8,044,839
Liabilities:			
Accounts payable and accrued expenses	92,199	67,921	160,120
Long-term liabilities:			
Due within one year	70,000	156,185	226,185
Due in more than one year		1,682,935	1,682,935
Total liabilities	162,199	1,907,041	2,069,240
Net assets:			
Invested in capital assets, net of related debt	1,423,067	1,758,154	3,181,221
Restricted for:			
Debt service	71,956	-	71,956
Nonexpendable cemetery principal	1,812	-	1,812
Unrestricted	1,012,175	1,708,435	2,720,610
Total net assets	\$ 2,509,010	\$ 3,466,589	\$ 5,975,599

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

			 Program Revenues						
	_ <u>F</u>	Expenses	narges for Services	Gı	perating rants and ntributions		Capital rants and ntributions		Net Expense) Revenue
Functions/Programs									
Governmental activities:									
General government	\$	330,123	\$ 120,005	\$	8,340	\$	-	\$	(201,778)
Public safety		187,512	78,507		4,360		43,747		(60,898)
Public works		321,230	177,320		5,270		-		(138,640)
Health and welfare		28,892	19,899		-		-		(8,993)
Recreation and culture		151,813	 26,440		5,402				(119,971)
Total governmental activities		1,025,363	 422,171		23,372	_	43,747	_	(536,073)
Business-type activities:									
Water and sewer		269,417	 374,461					_	105,044
Total business-type activities	_	269,417	 374,461						105,044
Total	\$	1,294,780	\$ 796,632	\$	23,372	\$	43,747	\$	(431,029)

continued

	Governmental	Business- type	
	Activities	Activities	Total
Changes in net assets:			
Net (Expense) Revenue	\$ (536,073)	\$ 105,044	\$ (431,029)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	217,289	-	217,289
Property taxes, levied for debt service	61,490	-	61,490
Grants and contributions not restricted to			
specific programs	308,309	-	308,309
Unrestricted investment earnings	11,351	6,094	17,446
Miscellaneous	11,107	-	11,107
Transfers	355,997	(355,997)	
Total general revenues, contributions,			
special items and transfers	513,677	101,964	615,641
Change in net assets	(22,396)	207,008	184,612
Net assets, beginning of year	2,531,406	3,259,581	5,790,987
Net assets, end of year	\$ 2,509,010	\$ 3,466,589	\$ 5,975,599

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	_	General Fund	ibrary Fund	De	owntown velopment uthority Fund	Library ot Service Fund
Assets:						
Cash and cash equivalents	\$	881,037	\$ 1,239	\$	122,553	\$ 68,304
Taxes receivable		14,562	-		1,950	3,652
Accounts receivable		44,272	-		=	-
Due from other governmental units		73,972	-		-	-
Due from other funds		-	1,000		-	-
Prepaid expenditures		13,383	 -		-	
Total assets	<u>\$</u>	1,027,226	\$ 2,239	\$	124,503	\$ 71,956
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$	74,462	\$ 2,209	\$	-	\$ -
Due to other funds		1,000	-		48,612	-
Deposits payable		14,315	-		-	-
Deferred revenue		31,303	 		<u> </u>	
Total liabilities	_	121,080	 2,209		48,612	-
Fund balances:						
Reserved for:						
Prepaid expenditures		13,383	-		-	-
Unreserved:						
General fund		892,763	-		-	-
Special Revenue funds		-	30		75,891	-
Debt Service funds		-	-		-	71,956
Permanent fund		-	 			 -
Total fund balances		906,146	 30		75,891	 71,956
Total liabilities and fund balances	\$	1,027,226	\$ 2,239	\$	124,503	\$ 71,956

Govern Fun Cem	najor nmental nd - etery nal Care	Go	Total vernmental Funds
\$	1,830	\$	1,074,963
	-		20,164
	-		44,272
	-		73,972
	-		1,000
		_	13,383
\$	1,830	<u>\$</u>	1,227,754
\$	- - - -	\$	76,671 49,612 14,315 31,303
	-	_	95,230
	-		13,383
	_		892,763
	-		75,921
	-		71,956
	1,830		1,830
	1,830		1,055,853
\$	1,830	\$	1,151,083

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

Total fund balances for governmental funds		\$ 1,055,853
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	1,985,047	
Less accumulated depreciation	(491,980)	1,493,067
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(1,213)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		31,303
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
General obligation bonds payable	(70,000)	 (70,000)
Net assets of governmental activities		\$ 2,509,010

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

		General Fund]	Library Fund	Dev A	owntown relopment uthority Fund
Revenues:						
Property taxes	\$	195,618	\$	-	\$	83,296
Licenses and permits		82,944		-		-
Federal grants		43,747		-		-
State grants		326,279		5,402		-
Contributions from other units		7,172		23,588		-
Charges from services		212,654		735		-
Fines and forfeits		25		788		-
Interest and rents		10,406		879		368
Other revenue		11,115		729		
Total revenues		889,960		32,121		83,664
Expenditures:						
Current:						
General government		292,099		-		-
Public safety		152,880		-		-
Public works		321,230		-		-
Community and economic development		23,149		-		5,743
Recreation and culture		20,325		99,911		-
Other		29,206		-		-
Capital outlay		108,435		4,360		-
Debt service:						
Principal		-		-		-
Interest and charges						
Total expenditures		947,324		104,271		5,743
Excess (deficiency) of						
revenues over expenditures		(57,364)		(72,150)		77,921
Other financing sources (uses):						
Transfers in		-		67,500		-
Transfers out		(67,500)				(95,870)
Total other financing sources (uses)	_	(67,500)		67,500		(95,870)
Net change in fund balances		(124,864)		(4,650)		(17,949)
Fund balances, beginning of year		1,031,010		4,680		93,840
Fund balances, end of year	<u>\$</u>	906,146	\$	30	\$	75,891

	Library bt Service Fund	Nonmajor Governmental Fund - Cemetery <u>Perpetual Care</u>	Go	Total vernmental Funds
\$	61,490	\$ -	\$	340,404
Ψ	-	-	Ψ	82,944
	_	_		43,747
	_	-		331,681
	-	-		30,760
	-	-		213,389
	-	-		813
	281	18		11,952
	-		_	11,844
	61,771	18	. <u> </u>	1,067,534
	-	-		292,099
	-	-		152,880
	-	-		321,230
	-	-		28,892
	-	-		120,236
	-	-		29,206
	-	-		112,795
	70,000	-		70,000
	5,793			5,793
	75,793		. <u> </u>	1,133,131
	(14,022)	18	_	(65,597)
	-	-		-
	-	-		67,500 (163,370)
	<u> </u>			
	- (1.4.000)	-	_	(95,870)
	(14,022)	18		(161,467)
_	85,978	1,812	_	1,217,320
\$	71,956	\$ 1,830	\$	1,055,853

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2005

Net change in fund balances - total governmental funds		\$ (161,467)
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	110,030	
Less depreciation expense	(73,464)	<u>36,566</u>
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		31,303
Repayments of principal on capital leases and contracts is an expenditure in government funds, but the payment reduces long-term liabilities in the statement of net assets.	tal	70,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest on bonds payable	1,202	 1,202
Change in net assets of governmental activities		\$ (22,396)

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2005

	Water and Sewer System <u>Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 864,444
Special assessments receivable	7,280
Due from other funds	48,612
Total current assets	920,336
Noncurrent assets:	
Capital assets:	
Depreciable capital assets, net	3,337,274
Special assessments receivable	775,447
Other asset - Additional purchased capacity	340,573
Total noncurrent assets	4,453,294
Total assets	5,373,630
Liabilities: Current liabilities:	
Accounts payable	8,559
Accrued expenses	30,244
Deposits payable	29,118
Current portion of long-term debt	156,185
Total current liabilities	224,106
Noncurrent liabilities:	
Long-term debt	1,682,935
Total noncurrent liabilities	1,682,935
Total liabilities	1,907,041
Net assets:	
Invested in capital assets, net of related debt	1,758,154
Unrestricted	1,708,435
Total net assets	\$ 3,466,589

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2005

	Water and Sewer System Fund
Operating revenues:	
Charges for services	<u>\$ 121,131</u>
Total operating revenues	121,131
Operating expenses:	
Contracted services	22,889
Repair and maintenance Depreciation	17,383 119,016
Total operating expenses	159,288
Operating income (loss)	(38,157)
Non-operating revenues (expenses):	
Interest income	6,094
Special assessment interest income	56,548
Capital contributions for distribution system construction Interest expense	196,782 (110,129)
Total non-operating revenues (expenses)	149,295
Net income (loss) before operating transfers	111,138
Operating transfers:	
Transfer from other funds	95,870
Total operating transfers	95,870
Net income (loss)	207,008
Net assets, beginning of year	3,259,581
Net assets, end of year	\$ 3,466,589

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended March 31, 2005

	Water and Sewer System Fund
Cash flows from operating activities:	
Cash received from customers	\$ 121,131
Cash payments to suppliers for goods and services	(31,713)
Net cash provided (used) by operating activities	89,418
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(158,826)
Principal payments	(169,768)
Interest paid	(112,257)
Principal collected on special assessments	99,705
Interest collected on special assessments	56,548
Capital contibutions for distribution system construction	196,782
Deposits for contruction costs Operating transfers in	29,118 112,843
Net cash provided (used) by capital and related financing activities	54,145
Cash flows from investing activities: Interest received	6,094
Net cash provided (used) by investing activities	6,094
Net increase (decrease) in cash and cash equivalents	149,657
Cash and cash equivalents, beginning of year	714,787
Cash and cash equivalents, end of year	\$ 864,444
Reconciliation of operating income (loss) to net cash provided (used) by operating activities: Operating income (loss)	\$ (38,157)
Adjustments:	
Depreciation	119,016
Changes in assets and liabilities: Accounts payable	8,559
Net cash provided (used) by operating activities	\$ 89,418

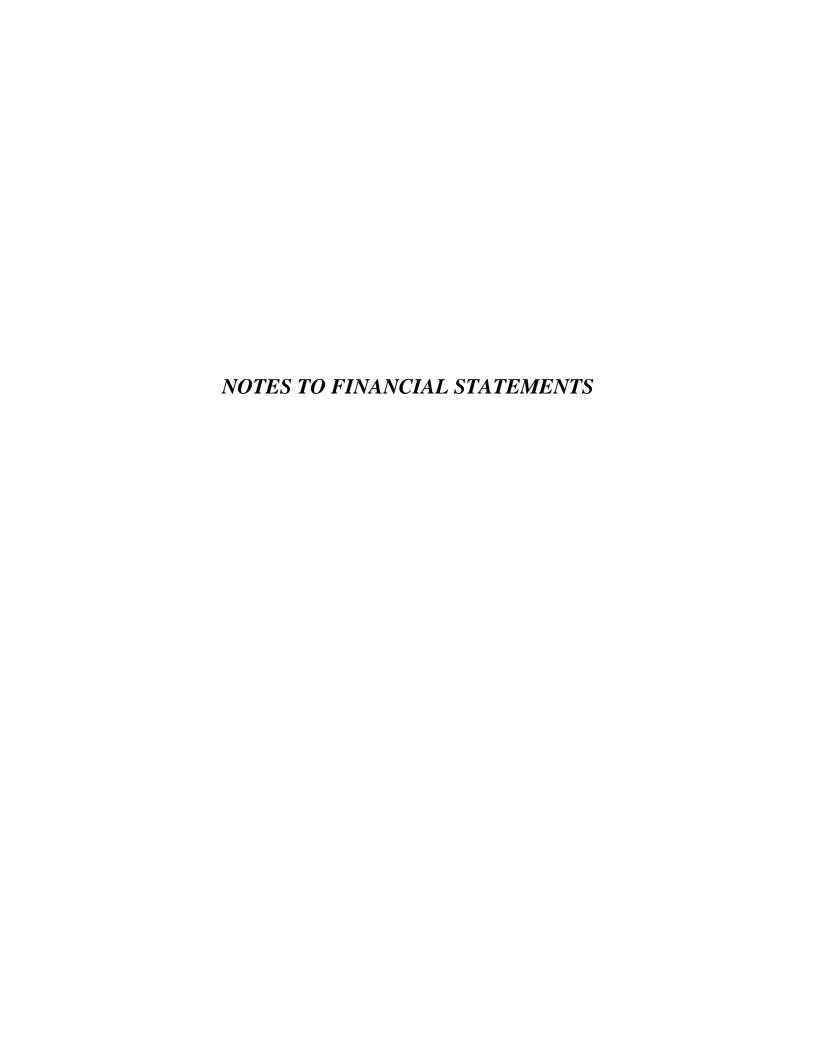
The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Fund
Assets: Cash and cash equivalents	\$ 12,827
Total assets	12,827
Liabilities: Accounts payable and accrued expenses	12,827
Total liabilities	12,827
Net Assets: Unrestricted	\$



NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Birch Run Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Township's reporting entity because of its operational or financial relationship with the Township.

Component Unit:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the Township board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is handled by the Township as a special revenue fund. The DDA is included with the Township financial statements using the blended presentation method because it serves as a financing source for capital projects and debt service payments benefiting the Township's operations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

March 31, 2005

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

March 31, 2005

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Library Fund** is used to account for the revenues collected to provide for the operation the public library.

The **Downtown Development Authority Fund** is used to account for tax revenues collected to provide the funding and financing of community development projects and related debt service.

The **Library Debt Service Fund** is used to account for collections of a debt service levy used to pay the principal, interest and related costs associated with the library construction bonds.

The Township reports the following major enterprise fund:

The **Water and Sewer System Fund** is used to account for the revenues and expenses for the operation of a water and sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

March 31, 2005

Assets, Liabilities and Equity

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

<u>Interfund Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

<u>Compensated Absences</u> – The Township does not allow the carryover of unused sick or vacation days.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

March 31, 2005

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2004 taxable valuation of the Township totaled \$181,467,600 on which ad valorem taxes levied consisted of .9292 mills for the Township's operating purposes and .3429 mills for voted library debt service.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Township.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.

March 31, 2005

- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004	\$ -
Current year building permit revenue	74,884
Related expenditures:	
Direct costs	(68,565)
Indirect costs	 (7,488)
Cumulative surplus at March 31, 2005	\$ _

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	G	overnmental Activities	siness-type Activities	Total
Cash and cash equivalents	\$ 1,074,963		\$ 864,444	\$ 1,939,407

Deposits:

The breakdown in deposits for the Township is as follows:

Bank deposits (checking accounts, savings accounts,	
and certificates of deposit)	\$ 1,848,129
Cash held by Village of Birch Run	91,036
Petty cash and cash on hand	 242
	\$ 1,939,407

March 31, 2005

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,014,712 of which \$269,997 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Township had no investments as of March 31, 2005.

Deposits are in accordance with statutory authority.

NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 54,000	\$ -	\$ -	\$ 54,000	
Depreciable capital assets:					
Buildings and improvements	943,376	53,913	-	997,289	
Equipment	276,712	49,596	-	326,308	
Furniture and equipment	-	-	-	-	
Site improvements	294,713	6,521	-	301,234	
Vehicles	306,216			306,216	
	1,821,017	110,030	-	1,931,047	
Accumulated depreciation	(418,516)	(73,464)		(491,980)	
Total depreciable capital assets, net	1,402,501	36,566		1,439,067	
Governmental activities, capital assets, net	\$ 1,456,501	\$ 36,566	\$ -	\$ 1,493,067	
	Beginning			Ending	
	Balance	Additions	Retirements	Balance	
Business-type activities:					
Depreciable capital assets					
Distribution system	\$ 4,784,185	\$ 158,825	\$ -	\$ 4,943,010	
Accumulated depreciation	(1,486,720)	(119,016)		(1,605,736)	
Business-type activities, capital					
assets, net	\$ 3,297,465	\$ 39,809	\$ -	\$ 3,337,274	

March 31, 2005

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 7,831
Public Safety	34,632
Recreation and culture	 31,001
Total governmental activities	\$ 73,464
Business-type activities:	
Water and Sewer System	\$ 119,016
Total business-type activities	\$ 119,016

NOTE 5: LONG-TERM LIABILITIES

The Township has installment contracts with Saginaw County and the Village of Birch Run that were used to finance water and sewer line construction and General Obligation Bonds that were used to finance the library building construction and a judgment settlement. The Township's long-term liabilities are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2005 consisted of the following:

			Annual	Original	
		Interest	Principal	Loan	Outstanding
Types of Indebtedness	Maturity	Rate	Installments	Amount	at Year-End
Governmental Activities					
General Obligation Bonds					
1996 Issue - Library Construction Bonds	6/1/05	3.95-5.20%	\$ 70,000	\$ 550,000	\$ 70,000
Business-type Activities					
Contracts Payable - Saginaw County					
1994 Issue - Water line extension	6/1/05-6/1/14	5.45-7.00%	20,000-70,000	935,000	580,000
1995 Issue - Water extension/Refund # 1	6/1/05-6/1/15	4.40-6.00%	10,000-35,000	450,000	300,000
1996 Issue - Dixie Highway extension	6/1/05-6/1/16	5.30-5.75%	30,000	575,000	360,000
1996 Issue - Sewer System Capacity	6/1/05-6/1/16	4.5-5.875%	15,000	300,000	180,000
1997 Issue - Sewer System Improvements	6/1/05-6/1/17	6.10-6.20%	5,000-15,000	175,000	135,000
Contracts Payable - Village of Birch Run					
2003 Issue - Sewer Force Main Refunding	9/1/05-9/1/11	1.45-3.90%	26,933-31,185	265,073	204,120
General Obligation Bonds					
1994 Issue - Judgment - Engineering fees	5/1/05-5/1/09	5.90-7.10%	20,000	300,000	80,000

March 31, 2005

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year	
Governmental Activities						
General Obligation Bonds						
1996 Issue - Library Construction Bonds	\$ 140,000	\$ -	\$ (70,000)	\$ 70,000	\$ 70,000	
Business-type Activities						
Contracts Payable - Saginaw County	625,000	-	(45,000)	580,000	50,000	
1994 Issue - Water line extension	320,000	-	(20,000)	300,000	20,000	
1995 Issue - Water extension/Refund # 1	390,000	-	(30,000)	360,000	30,000	
1996 Issue - Dixie Highway extension	195,000	-	(15,000)	180,000	15,000	
1996 Issue - Sewer System Capacity	145,000	-	(10,000)	135,000	10,000	
1997 Issue - Sewer System Improvements	233,888		(29,768)	204,120	31,185	
	1,908,888		(149,768)	1,759,120	156,185	
Contracts Payable - Village of Birch Run						
2003 Issue - Sewer Force Main Refunding	100,000		(20,000)	80,000		
	100,000		(20,000)	80,000		
General Obligation Bonds						
1994 Issue - Judgment - Engineering fees	\$ 2,008,888	\$ -	\$ (169,768)	\$ 1,839,120	\$ 156,185	

Annual debt service requirements to maturity for the above contractual obligations are as follows:

Year Ended	Year Ended Gov			Governmental Activities					Business-Type Activities			
March 31,	Pı	Principal		Interest	Total		Total l		Principal			Total
2006	\$	70,000	\$	1,820	\$	71,820	\$	156,185	\$	106,145	\$	262,330
2007		-		-		-		174,767		90,566		265,333
2008		-		-		-		178,350		81,253		259,603
2009		-		-		-		173,350		71,791		245,141
2010		-		-		-		186,933		61,866		248,799
2011		-		-		-		168,350		52,028		220,378
2012		-		-		-		176,185		42,476		218,661
2013		-		-		-		155,000		32,870		187,870
2014		-		-		-		160,000		33,335		193,335
2015		-		-		-		160,000		13,616		173,616
2016		-		-		-		80,000		6,427		86,427
2017		-		-		-		55,000		2,515		57,515
2018		_		_		-		15,000		465		15,465
	\$	70,000	\$	1,820	\$	71,820	\$	1,839,120	\$	595,353	\$	2,434,473

March 31, 2005

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	vernmental activities	Business-Type Activities		
Receivables:				
Taxes	\$ 20,164	\$	-	
Accounts	44,272		-	
Special assessments	-		782,727	
Intergovernmental	 73,972			
Total receivables	\$ 138,408	\$	782,727	
Accounts payable and accrued expenses:				
Accounts	\$ 76,671	\$	8,559	
Accrued expenses	1,213		30,244	
Deposits payable	 14,315		29,118	
Total accounts payable and accrued expenses	\$ 92,199	\$	67,921	

NOTE 7: INTERFUND BALANCES

The composition of interfund receivable and payable balances at March 31, 2005 is as follows:

Receivable Fund	Receivable Fund Payable Fund		mount
Library Fund Water and Sewer System Fund	General Fund Downtown Development Authority Fund	\$	1,000 48,612
		\$	49,612

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

March 31, 2005

NOTE 8: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To		Amount	
General Fund	Library Fund	\$	67,500	
Downtown Development Authority Fund	Water and Sewer System Fund	_	95,870	
	Total	\$	163,370	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: SPECIAL ASSESSMENTS RECEIVABLE

The Township has levied special assessments for the financing of water and sewer lines within the Township. These special assessments receivable balances as of March 31, 2004 are as follows:

ENTERPRISE FUNDS:

1989 Water Extension #2 - Birch Run	\$ 15,153
1989 Water Extension #2 - Frankenmuth	8,023
1994 Water Extension #3	360,117
1995 Water Extension #4	103,033
1996 Sewer Extension #2	165,000
1997 Sewer Extension - Dixie Highway	131,401
	\$ 782,727

NOTE 10: OTHER ASSET – ADDITIONAL PURCHASED CAPACITY

The Township entered into a contract with the Genesee Sewer System for the right to treat up to 30 million gallons of sewage monthly. (There is no expiration of this right and the Township did not acquire any tangible property.) The contract agreement cost was \$681,145.97. During the year ended March 31, 1991 the Township sold 50% of this right to the Village of Birch Run for \$340,573. The unamortized balance of \$340,573 is carried as an other asset of the Water and Sewer System Fund. The Township has not yet exercised their rights in connection with this contract.

March 31, 2005

NOTE 11: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Un	Unavailable		earned	Total Deferred Revenue			
Accounts receivable - tax lien	\$	31,303	\$	-	\$	31,303		

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters.

The Township manages its workers compensation risk by purchasing commercial insurance and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township offers it employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional.

Post Employment Benefits:

The Township has no post employment benefits other than the pension plan described above.

March 31, 2005

NOTE 14: FUND EQUITY

Specific reservations of fund equity include:

<u>Reserved for prepaid expenditures</u> – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

NOTE 15: DOWNTOWN DEVELOPMENT AUTHORITY AGREEMENTS

To the extent that future DDA captured tax revenues are available, the Township DDA has made agreements to be obligated to the Township Sewer Fund for repayment of the following debts:

- 1. \$575,000 Sanitary Sewer System Improvement Bonds issued by Saginaw County December 5, 1996. The balance due on these bonds at March 31, 2005 is \$360,000.
- 2. Contract Payable to Birch Run Village for 28.35% of the past and future payments due on the 1992, \$1.4 million, Village Sanitary Sewer System Bonds payable through Genesee County. These bonds were refunded in 2003. The balance due on these bonds at March 31, 2005 was \$204,120.
- 3. \$75,000 of the \$175,000 Sewer System Improvement Bonds issued by Saginaw County in May, 1997. The March 31, 2004 total balance of these bonds is \$135,000.
- 4. A pro-rata portion of the \$300,000 Judgment Bonds Payable. The amount is to be determined annually based on the DDA's use of the Township's sewer engineering plans.

During the year ended March 31, 2005 the Downtown Development Authority transferred \$95,870 to the Water and Sewer Fund in connection with these agreements.

NOTE 16: PRIOR PERIOD ADJUSTMENTS

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The significant changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

March 31, 2005

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise fund were derived by aggregating the previously reported retained earnings and contributed capital of that fund.

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of the general, library, library debt service, downtown	
development authority, and cemetery perpetual care funds as of 3/31/04.	\$1,217,320
Add: Governmental capital assets, including general fixed assets	1,875,017
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(418,516)
Deduct: General Obligation Bonds payable as of 3/31/04	(140,000)
Deduct: Accrued interest payable as of 3/31/04	(2,415)
Governmental net assets, as of 3/31/04	\$ 2,531,406



GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts					Actual Over (Under) Final Budget		
	Original		Final		Actual			
Revenues:		8						<u> </u>
Property taxes	\$	173,679	\$	173,679	\$	195,618	\$	21,939
Licenses and permits		66,567		82,567		82,944		377
Federal grants		-		43,747		43,747		-
State grants		339,400		339,400		326,279		(13,121)
Contributions from other units		-		-		7,172		7,172
Charges for services		238,330		244,330		212,654		(31,676)
Fines and forfeits		-		-		25		25
Interest and rents		35,028		35,028		10,406		(24,622)
Other revenue		11,659		34,159	_	11,115		(23,044)
Total revenues		864,663		952,910		889,960		(62,950)
Expenditures: Current:								
General government		279,730		294,120		292,099		(2,021)
Public safety		120,650		152,897		152,880		(17)
Public works		278,100		325,410		321,230		(4,180)
Community and economic development		30,093		23,193		23,149		(44)
Recreation and culture		20,900		20,900		20,325		(575)
Other		32,000		29,500		29,206		(294)
Capital outlay		90,028	_	108,728	_	108,435		(293)
Total expenditures		851,501	_	954,748	_	947,324		(7,424)
Excess (deficiency) of revenues over expenditures		13,162		(1,838)		(57,364)		(55,526)
Other financing sources (uses): Transfers out		(65,000)		(67,500)		(67,500)		
Total other financing sources (uses)		(65,000)		(67,500)	_	(67,500)		
Net change in fund balance		(51,838)		(69,338)		(124,864)		(55,526)
Fund balance, beginning of year		1,031,010	_	1,031,010		1,031,010		
Fund balance, end of year	\$	979,172	\$	961,672	\$	906,146	\$	(55,526)

LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

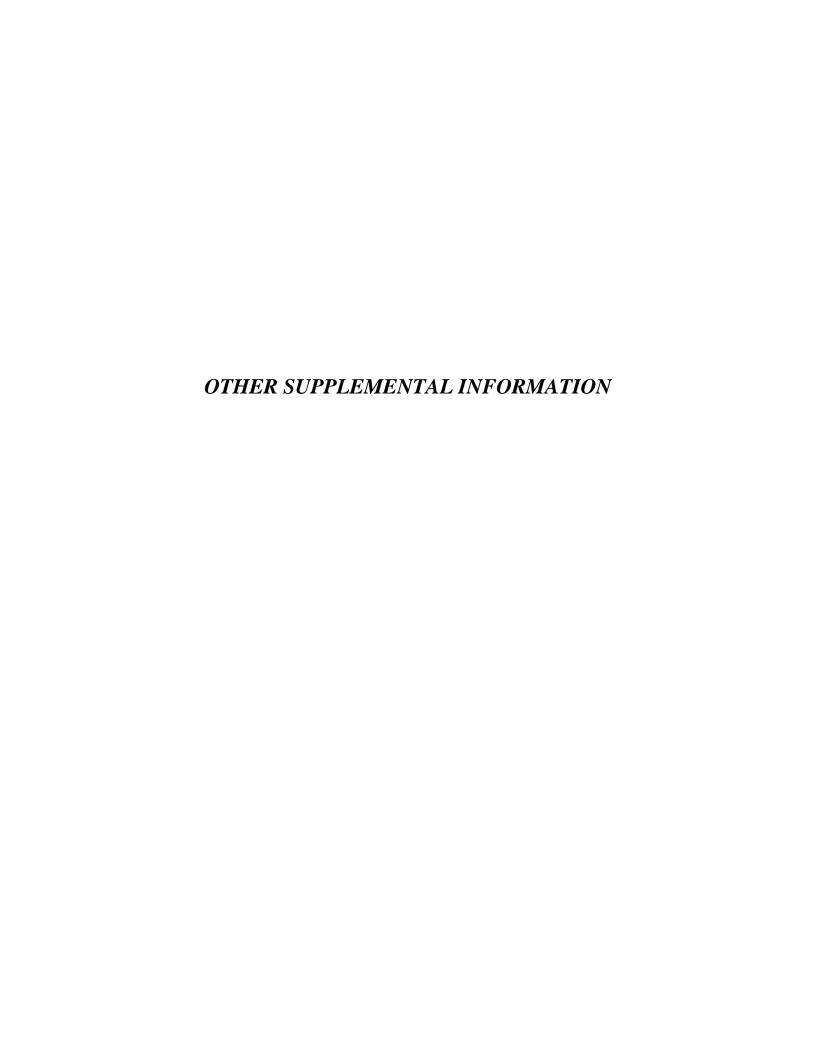
Year Ended March 31, 2005

	Budgeted Amounts					Actual Over (Under)		
	Original Final			Actual		Final Budget		
Revenues:								<u></u>
State grants	\$	5,300	\$	5,300	\$	5,402	\$	102
Contributions from other units		18,899		23,899		23,588		(311)
Charges for services		458		458		735		277
Fines and forfeits		657		657		788		131
Interest and rentals		660		660		879		219
Other revenue		1,803		1,803	-	729		(1,074)
Total revenues		27,777		32,777		32,121		(656)
Expenditures:								
Current:								
Recreation and culture		89,777		99,977		99,911		(66)
Capital outlay		4,000		4,400	_	4,360		(40)
Total expenditures		93,777	_	104,377	_	104,271		(106)
Excess (deficiency) of								
revenues over expenditures		(66,000)		(71,600)		(72,150)		(550)
Other financing sources (uses)								
Transfers in		65,000		67,500		67,500		
Transfers out			_					
Total other financing sources (uses)		65,000		67,500		67,500		
Net change in fund balance		(1,000)		(4,100)		(4,650)		(550)
Fund balance, beginning of year		4,680		4,680	_	4,680		
Fund balance, end of year	\$	3,680	\$	580	\$	30	\$	(550)

DOWNTOWN DEVELOPMENT AUTHORITY FUND

BUDGETARY COMPARISON SCHEDULE

				Actual
	Budgete	d Amounts		Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 83,000		\$ 83,296	\$ 296
Interest	300	300	368	68
Total revenues	83,300	83,300	83,664	364
Expenditures:				
Current				
Community and economic development	6,000	6,000	5,743	(257)
Total expenditures	6,000	6,000	5,743	(257)
Excess (deficiency) of				
revenues over expenditures	77,300	77,300	77,921	621
Other financing sources (uses):				
Transfers out	(95,870	(95,870)	(95,870)	
Total other financing sources (uses)	(95,870	(95,870)	(95,870)	
Net change in fund balance	(18,570	(18,570)	(17,949)	621
Fund balance, beginning of year	93,840	93,840	93,840	
Fund balance, end of year	\$ 75,270	\$ 75,270	\$ 75,891	\$ 621



DETAILED SCHEDULE OF REVENUES

Current taxes:		
Property taxes	\$	133,741
Trailer tax	_	252
Administration fees		61,625
1 Killinish William 1995	-	195,618
Licenses and permits:		175,010
Business licenses and permits		8,100
Nonbusiness licenses and permits		74,844
1 (One desire to the new permitted		82,944
		02,744
Federal grants:		
Fire protection		43,747
7 no p-2000 no		43,747
		43,747
State grants:		2.200
Liquor license fees		3,288
State revenue sharing - Sales tax		308,309
Metro Act		5,270
Fire protection assistance		1,072
Summer tax collection reimbursement		8,340
		326,279
Contribution from other units:		
Reimbursement from school district - Election		7,172
		7,172
Charges for services:		
Refuse collection fees		177,320
Cemetery fees		11,100
Copies		705
Fire runs		3,638
Zoning/Variance Application Fees		19,891
		212,654
Fines and forfeits:		
Ordinance fines		25
Ordinance fines		
		25
Interest and rents:		
Interest		9,806
Building rental		600
		10,406
Other revenue:		
Cemetery lots/perpetual care		6,400
Reimbursements		813
Refunds and rebates		2,543
Other	_	1,359
		11,115
Total revenues	\$	889,960
**************************************	-	,

DETAILED SCHEDULE OF EXPENDITURES

Board: \$ 11,518 Personnel \$ 888 Supplies 1,802 Contracted services 1,150 Dues and memberships 5,940 Education and training 638 Printing and publications 3,836 Other 343 Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Fringe benefits 2,163 Supplies 2,255 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,255 Fringe benefits 2,012 Contracted services 2,012 Contracted services 3,534 Contracted services 7,281 Contracted services 7,281 Education and training 315 Personnel 3,534 Fringe benefits 2,4 Contracted services 7,281 Tontracted service	General Government:	
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Supplies 1,802 Contracted services 1,150 Dues and memberships 5,940 Education and training 638 Printing and publications 3,836 Other 343 Supervisor: 26,115 Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 28,276 Fringe benefits 2,163 Supplies 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Supplies 7,281 Contracted services 7,281 Temporal 315 Fringe benefits 24 Education and training 165 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications	Personnel	\$ 11,518
Contracted services 1,150 Dues and memberships 5,940 Education and training 3836 Printing and publications 3,836 Other 343 Supervisor:	Fringe benefits	888
Dues and memberships 5,940 Education and training 638 Printing and publications 3,836 Other 343 Supervisor:		1,802
Education and training 638 Printing and publications 3,836 Other 36,315 Supervisor: 26,115 Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Personnel 28,276 Fringe benefits 2,015 Supplies 2,015 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106	Contracted services	1,150
Printing and publications 3,836 Other 343 343 343 26,115 5 Supervisor: *** Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 7,281 Audit: 7,281 Contracted services 7,281 Resonnel 315 Fringe benefits 24 Efucation and training 165 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
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Supervisor: 16,000 Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Telephone 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		3,836
Supervisor: 16,000 Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Telephone 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106	Other	343
Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Telephone 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		26,115
Personnel 16,000 Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Telephone 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Fringe benefits 1,224 Supplies 146 Contracted services 172 Telephone 608 Instance 18,150 Colerk: Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		16,000
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Contracted services 172 Telephone 608 18,150 Clerk:		
Telephone 608 18,150 Clerk: Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Clerk: Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 35,342 Audit: 7,281 Fontracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Clerk: Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 35,342 Audit: 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106	Telephone	
Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: Contracted services 7,281 Fontracted services 7,281 Fringe benefits 24 Education and training 165 Printing and publications 106		18,150
Personnel 28,276 Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 7,281 Contracted services 7,281 For contracted services 7,281 Fringe benefits 24 Education and training 165 Printing and publications 106	Clerk:	
Fringe benefits 2,163 Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: Contracted services 7,281 Fontracted services: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		28.276
Supplies 2,012 Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: 35,342 Audit: 7,281 Fontracted services 7,281 Board of Review: 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Contracted services 2,555 Transportation 112 Dues and memberships 145 Education and training 79 Audit: Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Transportation 112 Dues and memberships 145 Education and training 79 Audit: Tontracted services Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Dues and memberships 145 Education and training 79 Audit: 35,342 Audit: 7,281 Contracted services 7,281 Board of Review: 315 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Education and training 79 35,342 Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		145
Audit: 7,281 Contracted services 7,281 Board of Review: 7,281 Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		79
Contracted services7,281Board of Review:7,281Personnel315Fringe benefits24Education and training165Printing and publications106		35,342
Contracted services7,281Board of Review:7,281Personnel315Fringe benefits24Education and training165Printing and publications106		
Board of Review: Personnel Fringe benefits Education and training Printing and publications 7,281 315 6315 165 165 165		7 201
Board of Review: Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106	Contracted services	
Personnel 315 Fringe benefits 24 Education and training 165 Printing and publications 106		
Fringe benefits 24 Education and training 165 Printing and publications 106	Board of Review:	
Education and training 165 Printing and publications 106		315
Printing and publications 106	Fringe benefits	24
	Education and training	165
610	Printing and publications	106
		610

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

General Government (continued):	
Treasurer:	
Personnel	25,368
Fringe benefits	1,941
Supplies	2,332
Contracted services	10,772
Transportation	169
Education and training	70
Printing and publications	66
	40,718
4	
Assessor:	5 (22)
Supplies Contracted services	5,632 46,194
Contracted services	51,826
Elections:	
Supplies	6,004
Contracted services	5,868
Printing and publications	431
Other	36
	12,339
Buildings and Grounds:	
Supplies	2,618
Contracted services	9,267
Telephone	2,400
Utilities	4,566
Repairs and maintenance	816
Other	132
	19,799
Attorney:	
Contracted services	13,589
	13,589
Comotomy	
Cemetery: Personnel	3,000
Fringe benefits	230
Supplies	922
Contracted services	29,533
Utilities Utilities	564
Repairs and maintenance	81
1	34,330

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

General Government (continued):	
Other General Government:	
Contracted services	3,500
Other - Property clean-up costs	28,500
	32,000
Total general government	292,099
Public Safety:	
Police:	
Contracted services	7,160
	7,160
Liquor Enforcement:	
Contracted services	3,091
	3,091
Fire:	
Personnel	29,531
Fringe benefits	2,259
Supplies	14,054
Contracted services	11,211
Telephone	1,555
Dues and memberships	1,111
Education and training	4,144
Utilities	7,011
Repairs and maintenance	3,188
	74,064
Protective Inspection and Regulation:	
Personnel	60,600
Fringe benefits	4,629
Supplies	1,154
Contracted services	634
Telephone	1,169
Travel/Mileage	5
Dues and memberships	33 291
Education and training Other	50
Oulci	
	68,565
Total public safety	152,880

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Public Works:	
Drains - Public Benefit:	
Contracted services	11,536
	11,536
Highways and Streets:	
Contracted services	100,781
	100,781
Street Lighting:	
Utilities	9,607
	9,607
Refuse:	
Contracted services	199,306
Conducted services	199,306
	199,300
Total public works	321,230
- com Factor water	
Community and Economic Development:	
Planning and Zoning:	
Personnel	14,848
Fringe benefits	1,136
Supplies	986
Contracted services	4,707
Telephone	278
Education and training	423
Printing and publications	771
	23,149
Total community and economic development	23,149
Recreation and Culture:	
Parks and Recreation:	
Supplies	612
Contracted services	19,056
Repairs and maintenance	657
	20,325
Total recreation and culture	20,325
Other:	
Insurance	29,206
	29,206
Total other	29,206

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Capital Outlay:	
General government	59,037
Public safety	42,282
Recreation and culture	7,116
	108,435
Total expenditures	947,324
Other Financing Uses:	
Transfers to other funds	67,500
	67,500
Total expenditures and other financing uses	\$ 1,014,824

FIDUCIARY FUNDS – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2005

	Beginning Balance	Additions	Deductions	Ending Balance		
Property Tax Collection Fund						
Assets: Cash and cash equivalents	\$ 4,092	\$ 5,969,762	\$ 5,961,027	\$ 12,827		
Liabilities: Due to other governmental units	\$ 4,092	\$ 5,969,762	\$ 5,961,027	\$ 12,827		

GOVERNMENTAL FUNDS

SCHEDULE OF INDEBTEDNESS

March 31, 2005

TYPE OF ISSUE: General Obligation Unlimited Tax Bonds

PURPOSE OF ISSUE: Construction of Library

AMOUNT OF ISSUE: \$550,000

INTEREST RATES: 3.95% to 5.20%

Fiscal Year Ended	Interest	P	rincipal	Int	terest			
March 31,	March 31,	Rate		6/1	6/1	1	2/1	Total
2006	2006	5.20%	\$	70,000	\$ 1,820	\$	-	\$ 71,820
		\$	70,000	\$ 1,820	\$	-	\$ 71,820	

SCHEDULE OF INDEBTEDNESS - WATER EXTENSION #2

March 31, 2005

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: To construct an extension to the water line

AMOUNT OF ISSUE: \$935,000

INTEREST RATES: 5.45% to 7.00%

Fiscal Year Ended	Interest	I	Principal		Int	terest		
March 31,	Rate		6/1		6/1		12/1	Total
2006 2007 2008 2009	5.80% 5.90% 6.00% 6.10%	\$	50,000 50,000 55,000 50,000	\$	18,003 16,552 15,078 13,427	\$	16,552 15,078 13,427 11,903	\$ 84,555 81,630 83,505 75,330
2010 2011 2012 2013 2014 2015	6.20% 6.30% 6.35% 6.40% 6.40%		55,000 55,000 60,000 65,000 70,000 70,000		11,903 10,197 8,465 6,560 4,480 2,240		10,197 8,465 6,560 4,480 2,240	77,100 73,662 75,025 76,040 76,720 72,240
2013	0.70/0	\$	580,000	\$	106,905	\$	88,902	\$ 775,807

SCHEDULE OF INDEBTEDNESS - WATER SUPPLY SYSTEM AND WATER EXTENSION #3

March 31, 2005

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: To construct an extension to the water line and refund #1 extension

bonds.

AMOUNT OF ISSUE: \$450,000

INTEREST RATES: 4.4% to 6.00%

Fiscal Year Ended	Interest	I	Principal	Int	terest		
March 31,	Rate		6/1	6/1		12/1	Total
2006 2007 2008	5.20% 5.30% 5.40%	\$	20,000 20,000 20,000	\$ 8,588 8,068 7,538	\$	8,067 7,537 6,997	\$ 36,655 35,605 34,535
2009 2010 2011	5.50% 5.60% 5.70%		20,000 30,000 30,000	6,998 6,448 5,608		6,447 5,607 4,752	33,445 42,055 40,360
2012 2013 2014 2015	5.80% 5.90% 6.00% 6.00%		30,000 35,000 35,000 35,000	4,753 3,883 2,850 1,800		3,882 2,850 1,800 750	38,635 41,733 39,650 37,550
2016	6.00%		25,000 25,000 300,000	\$ 750 57,284	\$	48,689	\$ 25,750 25,750 405,973

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM IMPROVEMENTS

March 31, 2005

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: To construct Dixie Highway Extension

AMOUNT OF ISSUE: \$575,000

INTEREST RATES: 5.30% to 5.75%

Fiscal Year Ended	Interest	I	Principal	Int	terest			
March 31,	Rate	6/1		6/1		12/1		Total
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016	5.45% 5.45% 5.45% 5.50% 5.50% 5.60% 5.65% 5.65%	\$	30,000 30,000 30,000 30,000 30,000 30,000 30,000 30,000 30,000	\$ 10,020 9,203 8,385 7,567 6,750 5,925 5,100 4,260 3,413 2,565 1,717	\$	9,202 8,385 7,568 6,750 5,925 5,100 4,260 3,412 2,565 1,718	\$	49,222 47,588 45,953 44,317 42,675 41,025 39,360 37,672 35,978 34,283
2016	5.70% 5.75%		30,000 30,000	862		863		32,580 30,862
		\$	360,000	\$ 65,767	\$	55,748	\$	481,515

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM CAPACITY

March 31, 2005

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: To pay off contract to Genesee County for sewer system capacity.

AMOUNT OF ISSUE: \$300,000

INTEREST RATES: 4.5% to 5.875%

Fiscal Year Ended	Interest	Principal 6/1		Interest					
March 31,	Rate			6/1		12/1		Total	
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016	4.70% 4.80% 4.90% 5.00% 5.10% 5.20% 5.30% 5.40% 5.50% 5.50%	\$	15,000 15,000 15,000 15,000 15,000 15,000 15,000 15,000 15,000 15,000	\$	4,680 4,328 3,968 3,600 3,225 2,843 2,453 2,055 1,650 1,238 825	\$	4,327 3,967 3,600 3,225 2,842 2,452 2,055 1,650 1,237 825 412	\$	24,007 23,295 22,568 21,825 21,067 20,295 19,508 18,705 17,887 17,063 16,237
2017	5.50%		15,000		413		412		15,413
		\$	180,000	\$	31,278	\$	26,592	\$	237,870

SCHEDULE OF INDEBTEDNESS - SEWER SYSTEM

March 31, 2005

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: Sewer System Improvements

AMOUNT OF ISSUE: \$175,000

INTEREST RATES: 6.10% to 6.20%

Fiscal Year Ended	Interest	Ī	Principal Interest						
March 31,	Rate	6/1		6/1		12/1		Total	
2006 2007	6.15% 6.15%	\$	10,000 10,000	\$	4,173 3,865	\$	3,865 3,558	\$	18,038 17,423
2008 2009	6.15% 6.15%		10,000 10,000		3,558 3,250		3,250 2,943		16,808 16,193
2010 2011	6.15% 6.20%		10,000 10,000		2,943 2,635		2,635 2,325		15,578 14,960
2012 2013	6.20% 6.20%		10,000 10,000		2,325 2,015		2,015 1,705		14,340 13,720
2014 2015	6.20% 6.20%		10,000 10,000		1,705 1,395		1,395 1,085		13,100 12,480
2016 2017	6.20% 6.20%		10,000 10,000		1,085 775		775 465		11,860 11,240
2018	6.20%	\$	15,000 135,000	\$	465 30,189	\$	26,016	\$	15,465 191,205

SCHEDULE OF INDEBTEDNESS - SEWER LINE

March 31, 2005

TYPE OF ISSUE: Contract Payable – Village of Birch Run

PURPOSE OF ISSUE: Purchase 28.35% Share in Sewer Force Main from Village

AMOUNT OF ISSUE: \$265,073

INTEREST RATES: 1.45% to 3.9%

Fiscal Year Ended	Interest	Principal		Interest				
March 31,	Rate		9/1		9/1		3/1	Total
2006	2.50%	\$	31,185	\$	3,119	\$	2,729	\$ 37,033
2007	2.50%		29,767		2,729		2,356	34,852
2008	2.60%		28,350		2,356		1,988	32,694
2009	3.00%		28,350		1,988		1,563	31,901
2010	3.30%		26,933		1,563		1,118	29,614
2011	3.60%		28,350		1,118		608	30,076
2012	3.90%		31,185		608		-	31,793
		\$	204,120	\$	13,481	\$	10,362	\$ 227,963

SCHEDULE OF INDEBTEDNESS - JUDGEMENT BONDS

March 31, 2005

TYPE OF ISSUE: General Obligation Bond

PURPOSE OF ISSUE: Payment of Judgement - Wade Trim/Edmands

AMOUNT OF ISSUE: \$300,000

INTEREST RATES: 5.90% to 7.10%

Fiscal Year Ended	Interest	Principal Interest								
2006 2007 2008 2009 2010	Rate				5/1		11/1		Total	
	6.90% 7.00% 7.00% 7.10% 7.10%	\$	20,000 20,000 20,000 20,000	\$	2,820 2,120 1,420 710	\$	2,820 2,120 1,420 710	\$	2,820 24,940 23,540 22,130 20,710	
		\$	80,000	\$	7,070	\$	7,070	\$	94,140	



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Township Board Birch Run Township Saginaw County, Michigan

We have completed our audit of the financial statements of Birch Run Township for the year ended March 31, 2005, and have issued our report thereon dated July 8, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that the transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Birch Run Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Bethiaume & Co.

July 8, 2005